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Rep. Milo Smith
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Sen. Luke Kenley
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Sen. Earline Rogers
Sen. Timothy Skinner



INTERIM STUDY COMMITTEE ON SCHOOL FUNDING FORMULA

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Authority: P.L. 182-2009(ss)

MEETING MINUTES¹

Meeting Date: October 19, 2009
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Rep. Terry Goodin, Chairperson; Rep. Scott Pelath; Rep. Ed DeLaney; Rep. Thomas Dermody; Rep. Jeffrey Thompson; Rep. Milo Smith; Sen. Ryan Mishler; Sen. Lindel Hume; Sen. Earline Rogers; Sen. Timothy Skinner.

Members Absent: Sen. Gary Dillon, Vice-Chairperson; Sen. Luke Kenley.

Representative Goodin, the chair of the Committee, called the meeting to order shortly after 1:00 p.m.

Fiscal-Year Budgeting

Representative Goodin introduced the issue of changing school corporation budgeting from a calendar-year basis to a fiscal-year basis, and he explained that the Committee wished to hear public input on the issue.

¹ Exhibits and other materials referenced in these minutes can be obtained electronically by requesting copies at licrequests@iga.in.gov. Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for hard copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Mike Reuter, chief financial officer of Hamilton Southeastern Schools, testified that school corporations are currently scheduled to switch from a calendar-year budget to a fiscal-year budget beginning with the fiscal year starting July 1, 2011. He noted that Hamilton Southeastern Schools had participated in a fiscal-year budgeting pilot program, but that the school corporation had quickly removed itself from the program.

Mr. Reuter distributed a timeline that compared the traditional calendar-year budget to a fiscal-year budget. (See Exhibit 1.) He testified that it would not make sense to move the budget process to a fiscal-year basis without aligning the revenue stream, and he described the negative consequences to the revenue of a growing school corporation that could result from switching to fiscal-year budgeting.

Bob Harris, chief financial officer of the Metropolitan School District of Perry Township (Marion County), testified that the timeliness of property tax collections would raise additional concerns if school corporations switched to fiscal-year budgeting. He noted that such a switch would also impose additional burdens on the Department of Local Government Finance and on local officials in the first year in which fiscal-year budgeting is implemented.

Chuck Mayfield, fiscal analyst with the Legislative Services Agency, discussed a number of the policy reasons behind the idea of fiscal-year budgeting.

Members of the Committee also discussed the following issues:

- The interest costs incurred by schools because of late property tax collections.
- The difficulty legislators face in tracking school spending because the State's budget year is not aligned with the budget year of school corporations.
- Growth in school enrollment.
- Whether the switch to fiscal-year budgeting should be eliminated at this time and reconsidered at a later time if the State had greater surpluses.

Representative Goodin asked staff from the Legislative Services Agency to determine the amount of interest costs imposed on local units of government (including schools) for temporary loans necessitated because of late property tax collections.

Dennis Costerison of the Indiana Association of School Business Officials (IASBO) testified that 1995 legislation authorized a fiscal-year budgeting pilot program, but only two school districts (Warren Township and Eastern Pulaski) still participate. He testified that the concept has been considered, and that it is now time to move on.

Report from the Center for Evaluation and Educational Policy

Representative Goodin recognized Terry Spradlin, the Assistant Director of Education Policy for the Center for Evaluation and Educational Policy (CEEP), and Dr. Bob Michael of CEEP's research staff.

Mr. Spradlin and Dr. Michael submitted to the Committee a summary of information compiled from testimony presented at the Committee's meeting on September 23, 2009, and from other information submitted to the Committee. (See Exhibit 2.) The summary contained questions and information on the following issues:

- General fund formula issues
- Other school funds
- Special education funding

- Unfunded mandates
- Health care insurance costs
- Policymakers must set priorities
- Use of outcome measures
- Definition of "education"

Mr. Spradlin and Dr. Michael also submitted to the Committee a set of proposed goals for Indiana's school funding formula. (See Exhibit 3.) Mr. Spradlin noted that goals #6 (per-pupil dollars in school funds other than the general fund are independent of per-pupil property wealth), #7 (performance matrix established that generates financial awards based on improvement in performance), and #8 (transition to foundation timeline and progress) had been added after considering testimony from the Committee's first meeting.

Dr. Michael led the Committee through an explanation of topics related to the proposed goals for Indiana's school funding formula, including the issues of:

- Is per-pupil funding keeping pace with inflation?
- Are dollars following students?
- Does the complexity index drive dollars to Low-SES students?
- Do similarly situated students receive similar per-pupil funding (horizontal equity)?
- Is tuition support dependent on community wealth?

Mr. Spradlin suggested that CEEP could add more substance to this outline and report back to the Committee when the Committee reconvenes in 2010. He noted that CEEP is also conducting an adequacy study. Representative Goodin requested that CEEP focus on the eight proposed goals for the funding formula as well as the issue of adequacy.

Members of the Committee also discussed the following issues:

- What it takes to educate a student.
- The use of the term "dollars should follow the child".
- Correlation of per-pupil property wealth and per-pupil dollars in school funds other than the general fund.

Dennis Costerison of IASBO briefly described a referendum proposed for Washington Township (Marion County) Schools.

Gail Zeheralis, Indiana State Teachers Association, commented that in a perfect world policymakers would look at what it takes to have every child reach the standards that have been set.

Representative Goodin adjourned the meeting at approximately 2:15 p.m.